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Grain and Feed

Annual

2006

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Report Highlights:
Post estimates Vietnamese 2005 rice production at a record 34,400 thousand MT. The export volume reached 5,170 thousand MT in 2005 with a total value of USD1.28 billion.

Vietnamese corn production has increased significantly during the last decade following the rapid increase of animal feed demand but it has failed particularly in recent years to keep pace. Although AI-problems caused imports to drop to only 53 thousand MT in calendar 2004, in 2005 imports jumped to 222 thousand MT, and post projects 2006 imports to hit a record 500,000 MT

Imports of wheat increased sharply in marketing year 2005 to 1,120 thousand MT compared with an off-trend 778 thousand MT in MY2004. Post estimates Vietnam's MY2006 wheat imports will increase further to 1,250 thousand MT. U.S. wheat exports in MY 2005 to Vietnam were 50,100 MT, less than 5% of the market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

1. RICE

1.1 PRODUCTION

Despite unfavorable weather that caused some shortages of water, Vietnamese rice production in 2005 did better than expected and set a new production record of 34,000 thousand MT. The biggest gain was in the Winter–Spring crop, where planting area was down but production was higher thanks to a much higher yield. For the Summer–Autumn crop, grown mainly in the southern part of Vietnam, increases in planted area in exporting regions were cancelled by drought in other areas to leave production only slightly higher compared to last year. Lua Mua, the last crop of the year has been shrinking year after year in both the Mekong River Delta and Red River Delta due to overly intense cultivation in the past and low returns vis-a-vis other uses of the land.

Vietnam 2006's rice production has just started with the Winter–Spring crop. Paddy is being harvested in southern provinces while rice plants are still in the early stages in the north. The Winter-Spring crop is by far the largest of the three Vietnamese crops and the most important to the export market. This year there is an increase in planted area in the Mekong River Delta in the Winter–Spring crop. However, in the areas surrounding Ho Chi Minh City as well as in south central and northern Vietnam, the planted area is down. Overall, the total planted area is slightly lower, but improvements in yield from better weather and continued technology improvement should still mean an increase in total Winter-Spring production.

Planting for the Summer-Autumn crop is expected down as well due to some early forecasts of poor weather as well as concerns about weakness in the export market. In line with long-term trends, the planted area for Lua Mua is also expected down. This will lead to slightly smaller crops for both the Summer-Autumn and Lua-Mua crops, but the better showing for the Winter-Spring crop should lead to another overall total increase in Vietnamese rice production in 2006.

Vietnam Rough Rice Area, Yield and Production (Revised March, 2006)

	2004		2005		2006 Estimate	
Harvested Area (tha)	**Old**	**New**	**Old**	**New**	**Old**	**New**
Lua Mua (10^{th} Month)	2,103	2,103	2,110	2,090	2,070	2,070
Winter-Spring	2,995	2,995	2,970	2,970	2,980	2,980
Summer-Autumn	2,360	2,370	2,340	2,390	2,380	2,380
TOTAL	**7,458**	**7,468**	**7,420**	**7,450**	**7,430**	**7,430**
Yield (mt/ha)						
Lua Mua (10th Month)	3.73	3.73	3.73	3.73	3.73	3.73
Winter-Spring	5.26	5.26	5.60	5.60	5.55	5.75
Summer-Autumn	4.10	4.16	4.18	4.18	4.17	4.17
TOTAL	**4.46**	**4.48**	**4.62**	**4.62**	**6.60**	**4.68**
Production (tmt)						
Lua Mua (10th Month)	7,844	7,844	7,870	7,796	7,721	7,721
Winter-Spring	15,754	15,754	16,632	16,632	16,639	17,135
Summer-Autumn	9,676	9,859	9,781	9,990	9,918	9,918
TOTAL	**33,274**	**33,457**	**34.283**	**34,418**	**34,278**	**34,774**

Domestic Prices

Local prices of paddy and rice,
Export prices in Mekong River Delta

	Price VND/kg	
	Paddy	5% Broken Rice for export
Jan. 2005	2,250-2,500	3,520-3,850
Feb. 2005	2,350-2,550	3,810-3,940
Mar. 2005	2,200-2,430	3,680-3,830
Apr. 2005	2,200-2,430	3,650-3,890
May 2005	2,300-2,450	3,720-3,840
Jun. 2005	2,000-2,450	3,470-3,780
Jul. 2005	1,900-2,400	3,350-3,800
Aug. 2005	2,150-2,400	3,750-3,850
Sep. 2005	2,150-2,400	3,600-3,800
Oct. 2005	2,100-2,350	3,730-3,870
Nov. 2005	2,380-2,560	3,870-3,930
Dec. 2005	2,400-2,560	3,900-3,950

Source: Vinanet/combined data

As of the end March 2006 during the Winter-Spring harvest peak, paddy prices in the Mekong River Delta were being quoted at VND2,200-2,250/kg., a drop of VND300-350/kg compared with those offered at the end of December 2005. (Exchange rate is USD1 to VND15,922, as of March 24, 2006.)

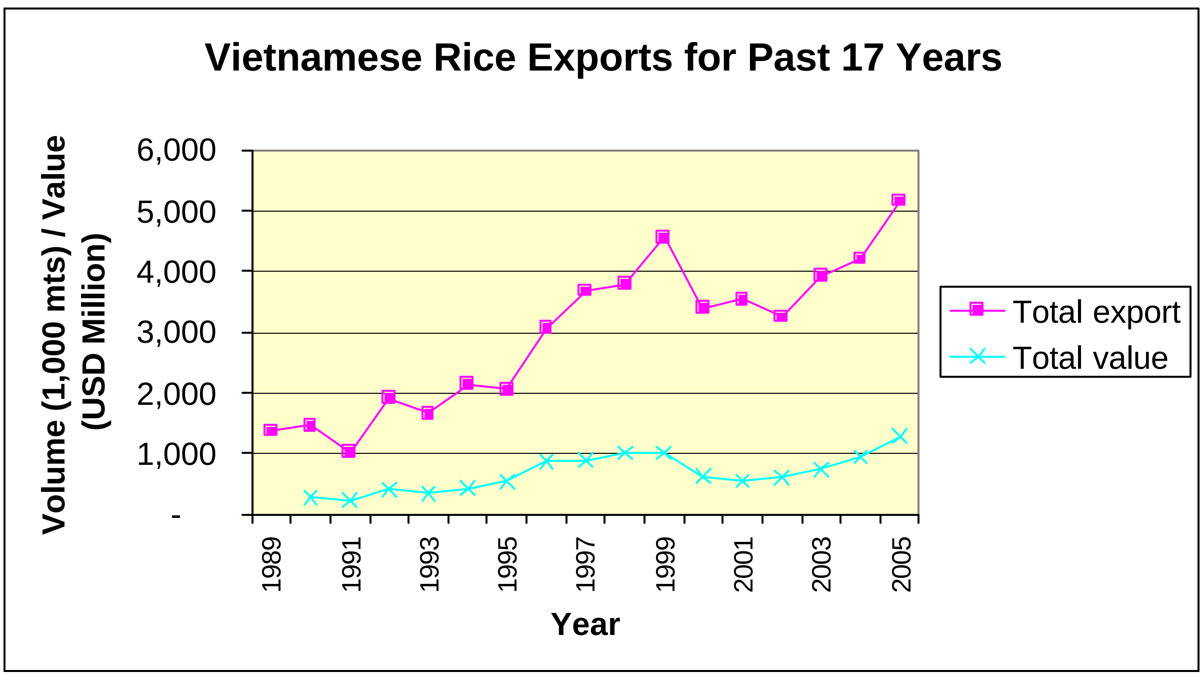
1.2 CONSUMPTION

According to the Vietnamese government publication, *Food Security Data*, Vietnamese consumption of rice per capita is currently about 150kg/year. Ten years ago, per capita consumption was over 170 kg/years. Consistent with other countries in Asia, development has meant and will continue to mean that consumers increasingly have access to and can afford to consume less rice in favor of other foods.

1.3 TRADE / COMPETITION

Vietnamese rice exports in 2005 were the greatest they have been since the country came back into the international market 17 years ago. The export volume reached 5,170 thousand metric tons, with higher world prices pushing up the total export value to USD1.28 billion, a year on year increase of 32.56% and 50.59% on quantity and value respectively.

Although 2006's estimated paddy production is 300,000 metric tons higher than last year, carry over stock is lower. With prices lower as well, post estimates Vietnamese exports will fall slightly to 4,800 thousand MT in 2006



Source: VFA / Combined data

Traditional export markets for Vietnamese rice include other South East Asian countries namely the Philippines, Malaysia, Indonesia, and Singapore. In 2005, the Philippines was by far the biggest buyer of Vietnamese rice accounting for 1,800 thousand MT, an increase of 169% compared with 2004. At the end of 2005, Vietnam Southern Food Company also won a contract to supply 50,000 metric tons of iron-fortified rice to the Philippines, introducing a new value-added product for the rice export industry.

African countries and Cuba are among other traditional Vietnamese rice buyers. In 2005, both markets increase imports of Vietnamese rice compared with 2004, 1,737 versus 1,435 thousand MT for African countries, and 587 versus 449 thousand MT for Cuba.

Iran had a big re-entry into the Vietnamese rice export market in 2005 when Thai high quality rice exceeded USD300/MT per FOB basis while Vietnamese rice was offered at USD30 lower. As a result, there was a sharp increase of 183% in the volume of Vietnamese rice exports to Iran compared with 2004.

Indonesia also resumed rice imports in 2005 after a long import ban. Vietnam exported around 100 thousand metric tons of rice to Indonesia in 2005, with more agreements for rice shipments in early 2006.

In 2005, exports of low quality rice, 25% and 15% broken, increased. These accounted for around 60% of the total Vietnamese exports while they were only 50% in 2004.

Poor technology and infrastructure makes Vietnamese rice less competitive on the export market. According to rice experts, Vietnam needs to review the whole process of rice production, from planting, including balanced fertilizer applications, to harvesting, drying, milling and processing in order to make better quality rice. Improper post harvest handling particularly has led Vietnam to lose the market in fragrant rice to others. The lack of post harvest facilities also creates financial difficulties for farmers during peak harvest times. Many farmers have to sell their stock more quickly than they would like to avoid degradation of rice quality.

Vietnamese rice Export By Grade and Destination - Calendar year 2005

	5%	10%	15%	25%	100%	Glutinous	Jasmine	Unknown	Total
ASIA	**546,493**	**8,060**	**597,531**	**1,515,160**	**4,141**	**10,218**	**1,627**	**31,066**	**2,714,296**
In which: Indonesia	2,250	1,220	89,190	959	-	3,275	-	506	97,400
Philippines	10,790	1,375	339,509	1,453,408	300	2,940	-	-	1,808,322
Malaysia	223,719	4,283	54,520	44,740	-	3,448	72	-	330,782
Singapore	10,346	432	12,137	743	-	475	1,065	50	25,248
East Timor	3,225	250	22,475	2,200	-	-	450	-	28,600
Iraq	-	-	-	-	-	-	-	-	-
Iran	251,700	-	-	-	-	-	-	-	251,700
Syria	22	-	-	-	-	-	-	-	22
Yemen	-	-	-	-	-	-	-	-	-
North Korea	-	-	-	-	-	-	-	-	-
Japan	10,000	-	76,200	13,060	-	80	-	10	99,350
Cambodia	-	-	-	-	-	-	-	-	-
Hong Kong	-	-	-	-	166	-	40	-	206
Others*	34,441	500	3,500	50	3,675	-	-	30,500	72,666

AFRICA	**1,053,496**	**37,803**	**226,258**	**242,075**	**165,404**	**-**	**12,332**	**-**	**1,737,368**
In which: Tanzania	10,125	-	-	-	-	-	-	-	10,125
Senegal	-	-	-	-	9,774	-	-	-	9,774
Angola	42,899	-	-	-	-	-	-	-	42,899
Rwanda	-	-	-	-	-	-	-	-	-
Ghana	41,198	-	-	-	-	-	-	-	41,198
Uganda	-	-	-	-	-	-	-	-	-
Ivory coast	16,500	-	-	6,325	-	-	-	-	22,825
Reunion	-	-	-	-	-	-	-	-	-
West Africa	-	-	-	-	-	-	-	-	-
Mozambique	23,000	-	14,500	3,500	-	-	-	-	41,000
Yemen	1,600	-	-	-	-	-	-	-	1,600
Kenya	-	-	18	-	-	-	-	-	18
Congo	35,093	-	-	-	-	-	69	-	35,162
Libya	-	-	-	-	-	-	-	-	-
Others*	883,081	37,803	211,740	232,250	155,630	-	12,263	-	1,532,767
EUROPE and CIS	**30,010**	**44,498**	**3,033**	**-**	**-**	**-**	**40**	**3,280**	**80,861**
In which: Russia	3,000	37,777	3,033	-	-	-	-	-	43,810
Ukraine	-	-	-	-	-	-	-	-	-
Poland	-	-	-	-	-	-	-	-	-
Others*	27,010	6,721	-	-	-	-	40	3,280	37,051
AMERICAS	**38,400**	**20,500**	**155,600**	**372,028**	**-**	**-**	**44**	**-**	**586,572**
In which: Cuba	38,400	20,500	155,600	372,028	-	-	-	-	586,528
Brazil	-	-	-	-	-	-	-	-	-
AUSTRALIA	3,210	-	44	44	-	-	286	316	**3,900**
UNKNOWN	-	-	-	-	2,850	-	741	51,630	**55,221**
TOTAL	**1,671,609**	**110,861**	**982,466**	**2,129,307**	**172,395**	**10,218**	**15,070**	**86,292**	**5,178,218**
***** *Others indicate that no clear destination is declared. It may/may not include the countries in the list of the same region*									

Source: Trade

1.4 POLICY

Programs Supporting Exporters:

- Virtually all rice exporters are state owned food companies. The government compensates state owned companies in case of a loss in one year but, according to the government, not for two consecutive years. Still as far as post knows none of these companies has ever gone bankrupt. In 2004, there was significant loss in rice exports. The official number was reported at USD30 million, although it could have been higher. Total rice exports were valued at USD850 million. No numbers are available yet for 2005 but as export prices were stronger losses on a percentage basis at least could have been less. The process is not transparent and the potential for large hidden subsidies here is great.

- A VAT exemption is granted to all products exported from Vietnam. Once foreign currency payments are made, the VAT is refunded to the exporter. Rice is subject to a 5% VAT, and exporters are refunded VAT based on the purchase price in Vietnam. More than USD50 million in VAT was rebated for rice exported in 2005.

- The Vietnamese Trade Promotion Fund is used to assist Vietnamese enterprises to carry out trade activities including establishing trademarks and maintaining websites for their products. The fund is also used to assist companies to open trade centers, to participate in exhibitions, and to do market research in foreign countries. The fund can cover 50% to 80% of total cost for companies that do promotion activities to promote exports of their products. Annually, the Ministry of Trade issues a list of export items that is entitled to apply for the fund. This list has always included rice. The Ministry of Finance manages the fund. The government does not publish figures either on the entire amount of this fund or the specific amount for rice.

- The government gives rice export companies credit assistance. A company can obtain subsidized credit for buying paddy up to 70% of the total export contract value or 80% of the active L/C value. The interest rate is between 0-50% of the prevailing rate. The program is activated as the government judges a need exists. For 2005 exports, it was suspended in May. Government outlays under this program are not public.

- The Vietnam Ministry of trade (MOT) recently established incentive rewards for companies whose total export value in 2005 was higher than in 2004. These rice exporters will receive VND100 ($.007) for every $1 that their 2005 exports exceeded their 2004 exports. The budget for this program is from the Export Support Fund, which has been in existence since 1999. The total incentive reward in 2005 for rice was about USD6 million out of a total USD104 million rewards for all exported goods.

Programs Supporting Farmers:

- The Vietnamese government sets a minimum purchase price on paddy. However, the price has remained at VND1,500/kg since 1997 when the program was initiated in response to dramatically falling prices. The government bought at the support price for several months in 1997 but since then, the market price has not fallen below the minimum. Currently the market price for paddy is VND2,200 per kg.

- Key farmers are encouraged to multiply foundation seed from government rice institutes in order to produce certified seed. This certified seed is then distributed to farmers for commercial rice production. Despite this program to improve rice quality, still only a low proportion of farmers (25-30%) use certified seed. For multiplying foundation seed, the local government pays a subsidy of VND1,500 (approx. USD.10) per kilogram of foundation seed bought from government institutes. This program spends only VND100-200 million or USD6,000-12,000 a year for each rice-producing province, and there are 15-18 provinces in this program.

Programs Supporting Rice Research:

- Vietnam's government spends USD2-2.50 million for rice research each year on improving and maintaining rice varieties for higher yield, as well as weed, insect, stress, and pathogen resistance. The fund is allocated to government rice institutes.

- Universities receive limited funding from provincial governments and the Ministry of Education and Training. Universities also seek funding from NGOs, International Associations, and foreign Universities. No specific numbers are available for University funding

Other Policy Developments

According to recent news reports, the Vietnam Northern Food Corp. (Vinafood 1) and the Southern Food Corp. (Vinafood 2) will be merged by order of the Minister of Agriculture and Rural Development Cao Duc Phat. The two state-owned corporations are the biggest rice exporters in Vietnam, accounting for 65 to 70% of the country's annual rice export turnover. The merger is intended to create a rice export giant of regional stature that will supposedly enhance Vietnam's competitiveness. Although the Vietnamese couch this in terms of improving efficiency as Vietnam anticipates entering the WTO, the WTO of course has generally discouraged state trading as not in the interest of free trade and economic efficiency. Although there are private rice traders, preferences given state companies in awards of government to government sales contracts and government financial support to state companies makes it hard for them to compete. Vietnam apparently has no immediate plans to reduce government involvement in rice trading.

Statistical Tables

Table 1.1 Vietnam's Production, Supply and Demand for Rice

PSD Table

Country Vietnam

Commodity Rice, Milled

(1000 HA)
(1000 MT)

	2004 Revised		2005 Estimate		2006 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2005		01/2006		01/2007	
Area Harvested	7420	7450	7400	7430	0	7420
Beginning Stocks	4152	1292	3405	1150	2005	1007
Milled Production	22627	22716	22500	22557	0	23016
Rough Production	34283	34418	34091	34177	0	34873
MILLING RATE (.9999)	6600	6600	6600	6600	0	6600
TOTAL Imports	300	320	100	350	0	300
Jan-Dec Imports	300	320	100	350	0	300
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	27079	24328	26005	24057	2005	24323
TOTAL Exports	5174	5178	5000	4800	0	4500
Jan-Dec Exports	5174	5178	5000	4800	0	4500
TOTAL Dom. Consumption	18500	18000	19000	18250	0	18500
Ending Stocks	3405	1150	2005	1007	0	1323
TOTAL DISTRIBUTION	27079	24328	26005	24057	0	24323

Table 1.2: Vietnam's Rice Export

Export Trade Matrix

Country Vietnam

Commodity Rice, Milled

Time Period	Jan - Dec	Units:	Metric tons
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Indonesia	35,358		97,400
Malaysia	333,307		330,782
Singapore	63,717		25,248
Philippines	666,562		1,808,322
Iran	89,250		251,700
East Timor	13,814		28,600
Cuba	449,224		586,528
Russia	101,110		43,810
Japan	38,200		99,350
Total for Others	1,790,542		3,216,200
Others not Listed	2,113,729		1,962,018
Grand Total	3,904,271		5,178,218

Table 1.3: Vietnam's Rice Import

Import Trade Matrix

Country	Vietnam		
Commodity	Rice, Milled		
Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Cambodia	290,000	Cambodia	300,000
Total for Others	290,000		300,000
Others not Listed	10,000		20,000
Grand Total	300,000		320,000

2. CORN

2.1 PRODUCTION

Vietnamese corn production increased significantly during the last decade in line with a rapid increase in animal feed demand. This rapid increase was a result of both increases in sown area of on average 5% per year and increases in yield of 5% per year. Government numbers for 2005 show that Vietnam's 2005 corn production reached 3,730 thousand MT, an increase of 9.5% compared with 2004 production. In line with past years, the result was due to gains both in planting area and yield.

Vietnam Corn Production in 2004-2005

	Unit	2004	2005	2006 estimate
Planting area	1,000 hectares	991.10	1,043.30	1,100.00
Yield	mt/ha	3.46	3.60	3.64
Production	1,000 mt	3,430.90	3,756.70	4,004.00

Source: MARD

According to the Ministry of Agriculture and Rural Development, Vietnam's 2006 corn production is projected to increase again on both planting area and yield. Overall, total production is expected to reach 4,000 thousand MT. An increase of 6.67% compared with 2005.

Corn domestic prices are currently quoted at VND2,300-2,500/kg, (Exchange rate VND 15,922 equal to $1 as of March 24, 2006.)

2.2 CONSUMPTION

Vietnam's corn consumption is mainly used for animal feed production including commercial feed and homemade feed. Annually, Vietnam produces about 10 million metric tons of feed, 33% of which is commercial feed. Corn used for feed currently accounts for 75-80% of Vietnam's total corn consumption. In 1990 feed corn only accounted for 20%. Avian Influenza outbreaks that began in late 2003 hurt the commercial feed industry. Recovery and resumption of the strong upward trend in feed production began in 2005 as the AI situation appears to have improved. The potential for new AI outbreaks however remains a concern to the industry.

The Vietnamese animal feed production sector now relies heavily on imported feed ingredients. Vietnam imports 60% of the materials used in feed production. In the past imports of protein have predominated and energy needs could be met locally. However, in recent years energy imports, particularly corn, have been increasing significantly as demand for feed production continue to outstrip local feed grain supply.

Lower tariffs are putting pressure on domestic prices and this could slow the expansion of production in coming years as compared to the strong growth of the last decade. Further improvements in local yield should be possible in coming years, but competition from corn from countries with less constraints on land and with climates more conducive to corn production will undoubtedly constrain Vietnamese corn production in coming years. Limits on storage and grain handling facilities are also a concern for future growth.

2.3 TRADE / COMPETITION

Vietnam's 2003 corn imports reached a record of 340,000 MT. However primarily to due to the Avian Influenza outbreaks that began in late 2003, Vietnam only imported 55,000 metric tons of Thai corn in 2004. With the AI situation stabilizing in 2005, Vietnam imported in total 222,000 metric tons. Argentina was the largest supplier of corn to Vietnam with a market share of 64%. China was the second with a market share of 34%. The only other source was Myanmar, which accounted for only 2% of Vietnam's import market.

U.S. corn exports to Vietnam are limited. Absence of deep-water port facilities and poor grain handling infrastructure hurt U.S. competitiveness. U.S. corn also competes more directly with domestic and Chinese corn than Southern Hemisphere corn. Corn imports from Argentina can also take advantage of lower freights by combining shipments particularly with soybean meal in which the United States is not competitive. However the potential for future significant U.S. corn exports to Vietnam remains. Much depends on how intense competition is. The level of exportable supplies from China will be particularly important.

2.4 POLICY

From January 2006, Vietnam applied a new special preferential import tariff for corn under the Common Effective Preferential Tariff Scheme (CEPT). CEPT includes the ASEAN countries plus China. The corn Import tariffs for Most Favor Nations (MFN) remains 5%. This will make, China and Thailand more competitive in 2006 but much will depend on their exportable supplies.

Statistical tables

Table 2.1: Vietnam's Production, Supply and Demand for Corn

PSD Table

Country Vietnam
Commodity Corn

(1000 HA)
(1000 MT)

	2004 Revised		2005 Estimate		2006 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	05/2004		05/2005		05/2006	
Area Harvested	920	1043	920	1100		1150
Beginning Stocks	334	8	449	10	424	14
Production	2800	3757	2800	4004		4370
TOTAL Mkt. Yr. Imports	206	144	100	500		500
Oct-Sep Imports	291	144	100	500		500
Oct-Sep Import U.S.	0	0	0	0		0
TOTAL SUPPLY	3340	3909	3349	4514	424	4884
TOTAL Mkt. Yr. Exports	41	1	25	10		10
Oct-Sep Exports	3	1	25	10		10
Feed Dom. Consumption	2350	3087	2400	3457		3802
TOTAL Dom. Consumption	2850	3898	2900	4490		4843
Ending Stocks	449	10	424	14		31
TOTAL DISTRIBUTION	3340	3909	3349	4514		4884

Table 2.2: Vietnam's Corn Export

Export Trade Matrix

Country	Vietnam		
Commodity	Corn		
Time Period	Jan – Dec	Units:	Metric tons
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Total for Others			
Others not Listed	40,000		1000
Grand Total	40,000		1000

Table 2.3: Vietnam's Corn Import

Import Trade Matrix

Country Vietnam

Commodity Corn

Time Period	Jan – Dec	Units:	Metric Tons
Imports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Thailand	53,000	Thailand	0
		Argentina	141,000
		China	76,000
		Myanmar	5,000
Total for Others	53000		222,000
Others not Listed	0		0
Grand Total	53000		222,000

3. WHEAT

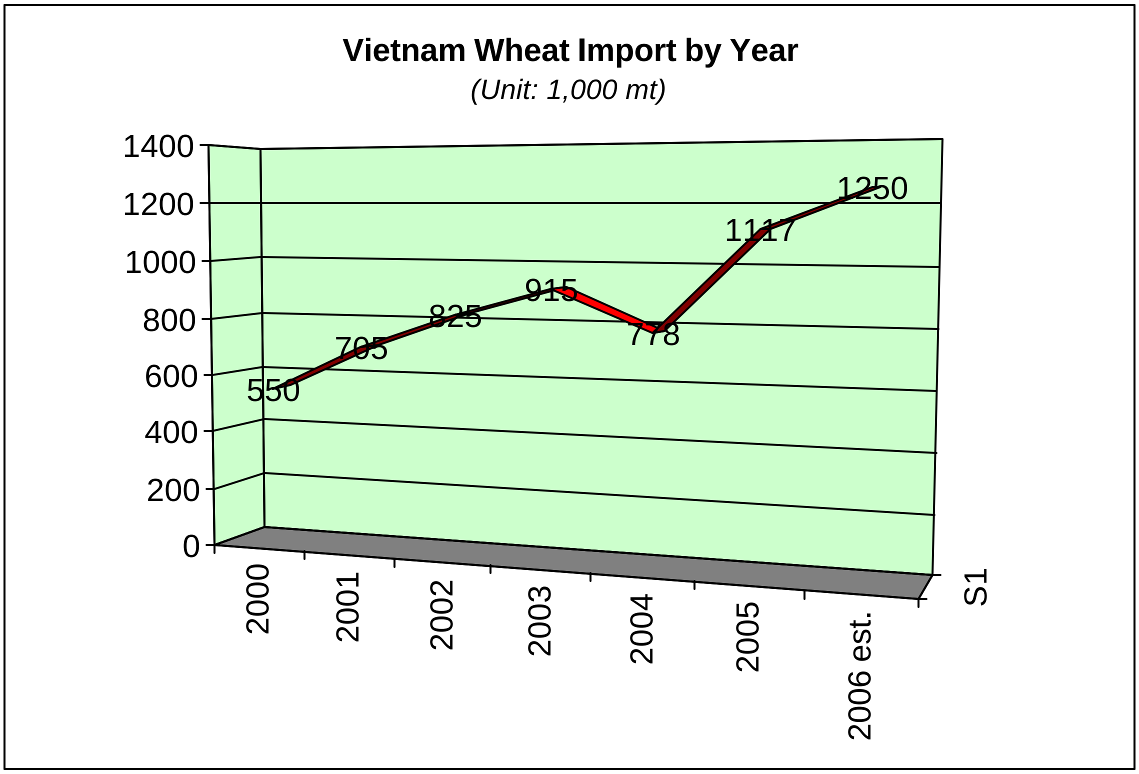
3.1 PRODUCTION

Vietnam produces no wheat.

3.2 CONSUMPTION

Currently, Vietnam's total wheat milling capacity is around 5,250 MT of wheat per day, down from 6,400 MT per a day a year ago as a result of the closure of 7 small private mills. Small mills with old processing equipment will continue to be under pressure from new high-volume, state-of-the art mills substantially if not completely foreign-invested.

As there is considerable excess capacity in the milling industry, wheat imports were, despite the closings, able to increase sharply in marketing year 2005, to 1,117 thousand metric tons compared with 778 thousand metric tons in MY2004. This puts Vietnam back on trend after a dip in imports in 2004. The 2004 decline was due to higher world wheat prices and declines in 2004 demand for feed use due to avian influenza and reduced aquaculture exports.



Vietnam's wheat milling extraction rate varies from 72% to 74%. This is lower than many countries and is due to the high percentage of low-quality wheat imports and poor milling equipment in Vietnam. There is a good market for wheat milling by-products such as wheat bran and pollen.

Wheat flour is used mainly for making instant and wet noodles, baguette style breads, other bakery and confectionary products, and feed (mainly aquaculture feed). In 2005, production of instant noodles accounted for about 50% of total wheat flour use, with the export of instant noodles increasing 15% from 2004. Domestic consumption of noodles continues to grow, but not enough to offset the loss in exports. Domestic noodle production faces stiff competition from imports from neighboring countries (Thailand, Indonesia, and Malaysia). The Asian Free Trade Agreement (AFTA), lowered tariffs on noodles to 5% starting in 2005 from 15% before.

Strong growth in shrimp production in 2005, a 14 % increase compared with 2004, pushed up demand for feed use of wheat. Still the feed demand for wheat only accounts for about 7 percent of total demand. With shrimp production expected to continue strong, post estimates around 85-90 thousand metric tons of wheat will be used for feed in calendar year 2006.

Since consumption of wheat products are increasing steadily and imports of wheat flour are decreasing, imports of wheat should continue their long-term upward trend. Post estimates Vietnam's marketing year 2006 wheat import will be 1,200-1,300 thousand MT.

3.3 TRADE / COMPETITION

In general, the staple food in Vietnam is still rice, but the proportion of wheat-based products is gradually increasing. The Vietnamese consumer is still not a sophisticated consumer of wheat products and does not demand as high quality as consumers in more developed markets. Traditionally, Australia has dominated the Vietnam market accounting for roughly 50% of total imports. Besides shipping by conventional bulk vessels, about 200,000 metric tons of Australian wheat is shipped by container, as the rates for containers returning from Australia are quite cheap. Canada accounted for another 25 percent of the Vietnamese market. U.S. wheat exports to Vietnam were only 50.1 thousand MT, accounting for less than 5 percent of the market.

Despite continued week sales to Vietnam, U.S. exporters still see potential for their wheat. They feel that the Vietnamese market is still very immature and that consumers are still not familiar with wheat products, and thus still tend to look only for the lowest price rather than the best value. This is exacerbated by the plethora of very small old mills that are pushing down prices as they come to the end of their usefulness. U.S. exporters believe that these old mills will fade from the scene and more efficient flour millers will have the opportunity to establish brands representing consistent high quality, and that consumers will grow to appreciate goods made from this higher quality flour. This will be a more attractive environment for U.S. wheat, which can offer more flexibility, consistency and quality to millers.

Import wheat prices from various sources (CNF Ho Chi Minh City port):

$192-193/MT	Indian Wheat
$190-192 /MT	ASW
$205-228 /MT	APW
$168-172/MT	Western Canadian wheat
$158-170/MT	Chinese wheat
$180-185/MT	Argentina wheat
$207-224/MT	US HRW/DNS

Statistical Tables

Table 3.1 Vietnam's Production, Supply and Demand for wheat

PSD Table

Country **Vietnam**

Commodity **Wheat**

(1000 HA)
(1000 MT)

	2004 Revised		2005 Estimate		2006 Forecast		UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1226	1117	1200	1250	0	1350	(1000 MT)
Jul-Jun Imports	1226	1117	1200	1250	0	1350	(1000 MT)
Jul-Jun Import U.S.	46	50	0	100	0	120	(1000 MT)
TOTAL SUPPLY	1226	1117	1200	1250	0	1350	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	75	74	75	88	0	100	(1000 MT)
TOTAL Dom. Consumption	1226	1117	1200	1250	0	1350	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	1226	1117	1200	1250	0	1350	(1000 MT)

Table 3.2: Vietnam's wheat Import

Import Trade Matrix

Country Vietnam

Commodity Wheat

Time Period	Jul-Jun	Units:	Metric tons
Imports for:	2004		**2005**
U.S.	9000	U.S.	50100
Others		Others	
Argentina		Argentina	70800
Australia	420000	Australia	512185
Canada		Canada	288477
China		China	150502
India	142000	India	30365
Total for Others	562000		1052329
Others not Listed	207000		15000
Grand Total	778000		1117429